

# Sunnyside Gold Corporation

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Denver, Colorado 80237

February 16, 2015

Mr. Martin Hestmark  
Assistant Regional Administrator for Ecosystem Protection and Remediation  
Region 8, U.S. Environmental Protection Agency

Ms. Ruth Welch  
Colorado State Director  
U.S. Bureau of Land Management

Mr. Gary W. Baughman, P.E.  
Director of Hazardous Materials and Waste Management Division  
Colorado Department of Public Health and Environment

Messrs. Peter Butler, Steve Fearn and Bill Simon  
Co-Coordiators - Animas River Stakeholders Group

Re: Collaborative Effort to Improve Animas River Water Quality

Dear Gentlemen and State Director:

As you know, Sunnyside Gold Corporation supports and has contributed to the collaborative effort to improve water quality and habitats in the Animas River. We also support the Animas River Stakeholders Group's *Timeline for Reducing Metal Loading in Upper Animas River Basin*, which provides a roadmap for the collaborative effort. As part of Sunnyside's continuing participation in the collaborative effort, Sunnyside is agreeable to developing draft investigative Work Plans for the American Tunnel and Mayflower areas. Further, Sunnyside is agreeable to supporting the implementation of such Work Plans, as further described in this Letter.

As a small player in the Animas River Stakeholders Group, Sunnyside has endeavored to punch above its weight to support the collaborative effort. We have always sought to be a catalyst, and have, among other things:

- Offered Ten Million Dollars to improve water quality in the Animas River.
- Funded the Technical Memorandum: *Mass Loading Analysis* and the Report: *Evaluation of Certain Selected Conventional Treatment Alternatives – Cement Creek*.
- Together with Trout Unlimited, the International Network for Acid Prevention, New Mexico Coal, and many others, championed a crowd sourcing initiative that is pursuing innovative technologies to address the problem of metals loading.
- Proposed the *April 21, 2014 Game Plan*, which was instrumental in the development of the Animas River Stakeholders Group's *Timeline for Reducing Metal Loading in Upper Animas River Basin*.

Sunnyside will provide draft investigative Work Plans for the American Tunnel and Mayflower areas at the earliest practicable date. We have already commenced the effort of preparing the Work Plans. The focus of the Work Plans will be on “gather[ing] the requisite knowledge to understand the problem”, in support of Item 1 of the ARSG’s *Timeline*. Two things are guiding our development of the draft Work Plans. First, the Work Plans will focus on the problem. The problem is metals loading in the Animas. Second, the Work Plans will focus on what is required to understand the problem. Knowledge for the sake of knowledge and endless studies are not constructive.

Sunnyside will then support implementation of the Work Plans, as follows:

- The Work Plans will be reviewed by the ARSG and supported by general consensus prior to implementation.
- Sunnyside will agree to contribute up to Seven Hundred-Fifty Thousand Dollars (\$750,000) in cash and management time to draft and commence implementation of the first phase of the Work Plans.
- Sunnyside will also in the future consider making additional contributions toward further implementation of the Work Plans.
- Third parties will be able to contribute time, money and materials to implement the Work Plans.
- Sunnyside will agree to undertake the implementation of the Work Plans, as resources are available, with priority given to the Mayflower Work Plan.
- All Sunnyside contributions to the development and implementation of the Work Plans will be credited toward the Ten Million Dollars previously offered by Sunnyside to improve water quality in the Animas River.
- Sunnyside and its affiliates will be protected from liabilities arising out of the implementation of the Work Plans in a manner satisfactory to Sunnyside.

While Sunnyside is ultimately protected from liabilities pursuant to the 1996 Consent Decree, and we have the upmost faith that the present management of the relevant agencies are fully committed to the collaborative process, agency personnel can change over time and it is important that Sunnyside be protected from the possibility of future allegations of liabilities and the potential for vexatious and expensive litigation. Progress on papering off this central element of the collaborative effort needs to be made to ensure the ongoing vitality of the effort.

Sunnyside greatly values the opportunity to participate with you in our collaborative partnership. We look forward to continued discussions and successes in our joint effort to improve water quality in the Animas.

Sincerely,



Lauren M. Roberts  
President

Cc: Larry Perino  
Greg V. Etter